

**TOWN OF FOUNTAIN HILLS
MINUTES OF THE WORK STUDY SESSION
OF THE FOUNTAIN HILLS TOWN COUNCIL
February 11, 2010**

AGENDA ITEM #1 - CALL TO ORDER AND ROLL CALL

Mayor Schlum called the meeting to order at 5:32 p.m. in the Fountain Hills Town Council Chambers.

ROLL CALL:

Present for roll call were the following members of the Fountain Hills Town Council: Mayor Schlum, Councilmember Contino, Councilmember Leger, Councilmember Brown, Vice Mayor Hansen, Councilmember Archambault and Councilmember Dickey. Town Manager Rick Davis, Town Attorney Andrew McGuire and Town Clerk Bev Bender were also present.

AGENDA ITEM #2 – PRESENTATION ON FY2010-11 INFRASTRUCTURE PROJECTS IN THE CAPITAL IMPROVEMENT PLAN AND FUNDING OPTIONS.

Accounting Supervisor Mary Martin addressed the Council relative to this agenda item and stated that this item was a discussion of the preliminary capital projects for the next fiscal year. She noted that the materials provided to the Council included a funding matrix for those projects that the Council saw at a previous Council meeting. She said that there were a number of different funding sources available to the Town to fund capital projects and stated that typically these included transfers from the General Fund, the Excise Tax Fund, the HURF Fund, Development Agreements, Development Impact Fees, Grants, Utility Fees, General Obligation Bonds, Revenue Bonds and Certificates of Participation. She referred to the matrix and explained that in each of the columns staff had provided the proposed funding source for each of the capital projects scheduled for next year.

Ms. Martin informed the Council that when staff reviewed capital projects, they had to determine which funding sources could legally be used for each type of project (i.e. HURF Funds can only be used for streets or roadway projects). She stated that staff first assigned potential funding sources that were eligible for specific types of projects. She noted that the funding matrix contained the outcome of that scheduling. Ms. Martin added that the two projects that staff was here to talk about this evening that had no funding sources assigned were the Saguaro Boulevard Mill and Overlay and the Annual Pavement Project.

Ms. Martin said that they had talked about the Saguaro Boulevard Mill & Overlay for a number of years – it was scheduled last fiscal year but because no funding source was identified, the project was postponed and placed into the next fiscal year's CIP. She stated that the Annual Pavement Management Program was partially funded this year through HURF funds and the Capital Projects Fund because the HURF funds were insufficient to completely fund that project. That was the reason those two projects were now appearing for next year with no funding source assigned.

Town Manager Rick Davis addressed the Council and said that as they approached this fiscal year it was critical as they formulated the budget to understand whether they were going to pursue a funding source for some of these projects. He said the one that came to mind right now was the Saguaro Boulevard Mill & Overlay. Earlier estimates had this project at about \$4 to \$4.5 million dollars and until they got into a bid process, they would not know the final cost of that project. The road was in a

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condition right now where he believed they could address it with the mill and overlay; however, delaying the repairs to Saguaro might result in more extensive repairs later at a significantly higher cost. He added that they also understood that the Town's Capital Projects Fund had a limited amount of funding available and nothing in sight to replenish it. It seemed prudent to staff (and they had discussed this before) that they seek some type of bonding mechanism or vehicle in order to address Saguaro.

Mr. Davis noted that the Town's financial advisor Jim Stricklund and his crew were present in the audience to respond to any questions from the Council relative to bonding vehicles. He said that the first one they would consider was a General Obligation bond and the second was an Excise Tax bond. There were certain advantages/disadvantages to each mechanism. With the General Obligation bond they would utilize a secondary property tax (as they had done in the past). They were at the conclusion of one piece of debt associated with road repairs as a result of utilizing a secondary property tax and one option was to continue to utilize a secondary property tax to address some of the Town's major road repairs such as Saguaro. The other option included utilizing revenues such as HURF or, as Ms. Martin explained, other revenues in the budget to support a Revenue Tax bond. A Revenue Tax bond would not be something that would go on a ballot while a General Obligation bond would. If it was the Council's desire to move forward with a General Obligation bond, staff would need to know fairly soon so that they could place that on a November ballot.

Mr. Davis stated that his recommendation would be that the Council give serious consideration to a General Obligation bond in light of the precarious nature associated with some of the revenues upon which the Town would depend in order to pay debt service through an Excise Tax bond. He added that other options included delaying the project or finding some other means of doing some type of "temporary fix" to the road. He said when he used the word "temporary fix" it really was a big question mark because the durability of the fix was dependent upon the weather and if they got too many rain storms like the one they had two weeks ago, the fix might not last very long. He stated that staff did not know what the cost of that would be but they would hope it would be significantly less than a mill and overlay but again, it would have a very finite effectiveness.

Mr. Davis indicated his willingness, as well as that of staff and the Town's financial advisor, to respond to any questions the Council might have. He emphasized that staff was seeking some direction from the Council this evening.

Mayor Schlum thanked Ms. Martin and Mr. Davis for their presentation and said that he was not sure at this junction how much direction would be derived from the discussion this evening. He added that ultimately they would have to have a discussion as to whether, or if, this were to come before the public for it to be funded in this next fiscal year, or as Mr. Davis stated, the project might be continued again. He said that there might not be sufficient dialogue this evening regarding this issue. The Mayor stated that they might want to talk about some of the other items because they were talking about this next fiscal year and their capital budget. He added that he understood that there were some experts in the audience who could help the Council quantify some options as they considered this decision in this future. He stressed the importance of the Council having a full understanding of the different funding options.

Mayor Schlum agreed that the Saguaro Mill & Overlay came to mind because of the recent weather the Town experienced (the substantial rain and large number of potholes that resulted) but reiterated that no decision could be made during a Work Study Session. He noted that it wasn't all that long ago that the Council decided not to proceed with this project because of the economy and that had not changed

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too much yet so he was not hopeful that he would be able to provide much direction tonight. He said that he did want to take advantage of obtaining input/options from the experts regarding Saguaro. He added that the Excise Tax bond was another option that they could discuss and reiterated that he did not believe he could provide much direction at this point in time. He said that this issue might be a premature but he understood the goal of potentially being ready for a November election.

In response to a question, Town Clerk Bev Bender advised that the deadline to notify the County that the Town wanted to place an item on the November ballot was 120 days.

Councilmember Dickey asked what another option would be to fix Saguaro if the Council did not spend the \$4 to \$4.5 million on the project. She requested that Financial Advisor Jim Stricklund keep this question in mind as they proceeded with the discussion.

Mr. Stricklund addressed the Council and advised that his firm ran some preliminary tax impact on a \$5 million General Obligation bond that would be repaid over 15 years and explained that the current assessed value was expected to go down in August by 13%. He added that they also obtained some preliminary information about what might happen the year after and they used an additional 15% decline, which would result in a tax increase of approximately ten cents per \$100 of debt service. He stated that as a result, a home valued at \$100,000 would have a \$10,000 assessed value and the annual cost would be \$10.00. He added that a \$500,000 home with a \$50,000 assessed value would result in an annual additional \$50.00 cost. He explained that these were just some "rough numbers" relative to what the impact would be. He said that if they used an alternative financing mechanism and repaid that over a 15-year period on a level paying basis, the payments were about \$500,000 per year and so the Town would have to look to other funding sources internally for that if they did not add to their tax base.

Mayor Schlum asked Mr. Stricklund whether he would be able to speak to the subject of an Excise Tax and he replied that they had had some preliminary discussions and as a practical matter that would be the half a million dollars a year and added that the alternative to the General Obligation bond being an Excise Tax issue, they would sell an obligation or an MPC bond that would be repaid from some source that they identify. When they went to the bond holders they would pledge repayment of excise taxes because that was a stable source of revenue, the Town had outstanding debt that it had repaid and they were consistently paying on, they had a good credit rating, etc. and so that mechanism would be one that the Town would be able to utilize (borrow against). He noted that in this case one of the discussions had been that if they had HURF money available that they might be able to (on an internal accounting basis) pledge the excise taxes but actually repay with HURF dollars that the Town was getting, assuming that those monies were available.

Councilmember Dickey questioned whether the \$500,000 was debt service and Mr. Stricklund clarified that that would be if the Town borrowed \$4.5 million at a 5 3/4% interest rate and repaid it in equal installments over 15 years.

Mayor Schlum requested that Mr. Stricklund discuss the Town's options, given the financial makeup over the next year or two -- options that a community such as Fountain Hills should consider.

Mr. Stricklund replied that if the Town had funds available they always recommended that they "pay as they go" to pay for the projects because they would not incur any costs associated with financing or any interest. If the funds were not available but a need existed and they had the capacity, then it would make sense to go ahead and borrow. He noted that the Town's policy was to have its debt repaid by no

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longer than 15 years and that was the assumption that had been used. He added that they ran some other numbers that did not really change the annual payments significantly when going to 10 years or 20 years and he believed they had provided a pretty good estimate of what it was going to cost. He said that the only other alternatives that they were seeing now was if the Town waited to have a General Obligation bond issue, there would be a November election and they would be selling the next calendar year. This calendar year there were Build America bonds that were available and the Federal government was going to subsidize the interest that would be paid on the new borrowing. About 60% of all new money projects being done across the country were being done as taxable Build America bonds and so the investors were buying taxable bonds and the Federal government was subsidizing the interest payment (35% of that).

Mr. Stricklund noted that his firm recently completed a transaction for Goodyear (about the same size that Fountain Hills was talking about) and they saved a little over \$1 million over the life of their issue. He added that they did the first Build America bond in the state for the City of Mesa, a much larger issue, and that municipality saved approximately \$13 million in future debt service.

Mayor Schlum asked how long that program would continue to be in existence and Mr. Stricklund responded that it was currently scheduled to end at the end of this calendar year. He also explained that they ended up with a higher interest rate but then every six months they send in a request for payment to the Federal government and they gave it to them. He stated that he could not speak to how efficient that would be but said that it was supposed to work well -- the government allowed the municipalities to ask for the money 45 days in advance and a lot of bank paying agents were on line to try to collect that money.

In response to a question from the Mayor relative to whether there were "any strings attached," Mr. Stricklund said that they had to have a tax exempt type bond, so it had to be exactly the same and they had to follow all of the same rules that they would to maintain that bond as a tax exempt bond. He added that, as a practical matter, they were likely to audit the transaction to make sure that it was a permissible tax exempt issue and that all of the rules were followed (spent the money properly, didn't borrow more than what was needed, etc.).

Mr. Stricklund advised that when his firm ran the numbers, they used 5 1/2% for a General Obligation bond and 5 3/4% for the Excise Tax type of issue and they were seeing when they compared the Build America bond adjusted for the 35% against a tax exempt issue, they were saving a little over 1% and that was how they computed the numbers.

Mayor Schlum asked if it was really comparable to 4 1/2% and Mr. Stricklund said that the 5 1/2% was used and it was difficult to predict what was going to happen in the future. If the Town had a November election, they might not be selling until July of the following year or it could be as early as January but it was hard to know what was going to be happening with interest rates in the future. He noted that if they sold today they would probably get a better rate than that but they were trying to give the Town a rough idea of the impact associated with one alternative versus another (based on broad numbers). He stated that the numbers would be refined as they moved closer to actually doing the transaction.

In response to a question from Mayor Schlum regarding recommendations on bonding versus pay as you go, Mr. Stricklund said that the advice was going to be across the board to pay as you go if you could afford to do that. He noted that there was demand on the General Fund because the revenues from the state were going down and so many municipalities were considering for the first time

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borrowing when they would not have otherwise had to borrow and in the Town's case he was seeing that because they had not borrowed for large General Obligation bonds in the recent past, they had deferred road maintenance -- doing what they could to keep up with it -- but it was getting to be a daunting task. He added that if revenue coming from the state got cut further (if HURF monies did not come in as they were) they might find themselves with less funds and no way to maintain the roads even at the current level. He said that looking to increase the bonding capacity and then generate additional revenue was what many communities were considering. Although the concern was that right now, with the economy not doing well, the question was whether this was the right time to do it or not. He advised that he could not really answer that issue but one of the reasons they thought it would be helpful once they looked at the numbers was to share with the Council the fact that the tax impact that they were talking about for something that was very necessary was not very significant. He pointed out that if the Town waited, it would cost more in the long run to try to maintain the current level and eventually that could get away from them and it would cost more.

Mr. Stricklund informed the Council that his firm was seeing a lot of communities that were willing to go out and borrow and getting projects that cost less right now because the economy was hurting and so many engineers' estimates were a lot less expensive. He added that if it was something that was palatable -- to borrow money and do projects -- they saw that there was an advantage in doing so because if they waited until the economy turned around and the contractors were busy and raw materials were more expensive, the projects might cost a lot more.

Vice Mayor Hansen said that, for example, if the Town decided to do a General Obligation bond and wanted to combine it with an Excise Tax (pledging the HURF) and, for the sake of numbers, split it 50/50 then they ran the risk of HURF being swept. They would lose their ability to use the money for the Excise and asked if there was any way to move ahead with a \$5 million General Obligation bond and do it simultaneously with the \$2.5 with the Excise and, if HURF did not get swept, they were fine with that and end up not charging the citizens the full five point -- she asked if there was a way to combine it so that they were covered if the monies get swept but then the citizens would realize the savings if they weren't.

Mr. Stricklund replied that traditionally the City of Mesa had gone out and received authorization to do tax exempt bonds (borrow) and then never raised the tax to make the payments because they used their electric utility revenues to make the payments on the bonds. He said that the Town could seek voter authorization and actually sell General Obligation bonds but then repay some or all of them with other revenues to the extent that other revenues were available. He added if they had the other revenues and they wanted to use them that way they would not have to impose the ten cent average tax that he spoke about; they could do five cents or seven cents or even nothing if they had the alternative revenue available. He agreed that it would be more of a safeguard but said that they could do the Build America bonds because they had to do that this calendar year and once the election occurred. It would be very difficult to have a Justice Department submission and all of the other things taken care of and then get into the market and close a bond deal before the end of the calendar year this year.

Mayor Schlum asked if they went forward with the \$7.5 million bond scenario whether they would be paying the interest on what they were not actually spending on the projects and Mr. Stricklund said that if the Town borrowed the money they would have to pay the interest but pointed out that if they had the authorization they did not actually have to borrow the money -- so the authorization could go beyond a specific single project to multiple projects (look at a longer period of time beyond the current needs) so the Town had the ability once they had an authorization to use it over some period of time. That would be a call that the bond attorneys make and the period might extend over ten years or fifteen

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years depending on what the authorization was for and when they were going to move forward (use as needed). He reiterated that just because the Town had the authorization it did not mean that they would have to actually borrow the money. He advised that some clients had large authorizations that had a targeted tax rate and if their assessed value grew and they would sell bonds and maintain a particular tax rate then they would sell the bonds. He noted that that was becoming very difficult with assessed valuations declining right now. Those communities, because they promised the voters that there wouldn't be more than a certain level of impact, did not want to continue going back and selling bonds when that would raise taxes beyond what they promised. He pointed out that when you sold a General Obligation bond you had an unlimited tax pledge so they were supposed to raise the tax rate sufficiently to make the payments on a General Obligation bond. He added that they did not have to raise it at all if they had other funds available to make the payment and said that it was not uncommon to have a water or wastewater utility authorization done as either Revenue bonds or General Obligation bonds (General Obligation bonds typically had a lower interest rate because it was an unlimited tax and had a stronger pledge so they got a better rating to lower costs and then there was an accounting for that debt service and it was repaid from the utility).

Mayor Schlum asked if the Town decided to move this ultimately to a November ballot, when would the items be sold at market and when would funds be available. He also asked when they could get underway with the project (posed to Mr. Davis).

Mr. Stricklund responded that typically it was a 60-day process once they decided to move forward and stated that there were various steps involved in going to the market, getting a rate, preparing an offering document that was available to potential bidders and many legal documents so if they knew that the Town wanted to sell right away after the election they could begin that process. He added that whether or not the Town needed to borrow all of the money was another question because it also depended on where they were in getting bids on the project, what the costs might be, whether a particular project required, engineering, etc. He noted that when you borrowed tax exempt, you could only borrow for what they reasonably expected to spend in a three-year period of time. He said that if they had five years' worth of projects they could not borrow that much -- they could only borrow three years' worth of projects. Some communities, during the early phase, because there was not a lot of outlay, adopted a reimbursement resolution and spent their other funds for the engineering, etc. and kept track of it with the adopted reimbursement resolution and then six months or eight months after they had authorization (during the phase they did not need all of the money) they could borrow the money when they were ready to begin construction. He said that the reason you wanted to do that was because if the Town borrowed the money and it was going to take a while to actually spend it on the project, while that money was sitting there they were not going to earn very much interest. They might be borrowing at 4 1/2% and investing at 15 basis points so they did not want the money sitting around for very long (so they should borrow the money from themselves, keep track of it and then reimburse themselves once they do the project).

Mayor Schlum asked Mr. Davis to provide input relative to the actual process to begin repairing Saguaro Boulevard (the rough timing).

Mr. Davis informed the Council that the design right now was at 50% and there was still some design work that needed to be done. Staff was also looking into the feasibility of getting a separate design for the intersection of the Avenue and Saguaro because they wanted to address that at the same time. He said that he would imagine that they would not be ready to move forward with that much before spring of next year (five months after the election).

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Councilmember Archambault asked if staff projected revenue for HURF for next year and Ms. Martin advised that it looked like they would be starting the year with a fund balance of about \$9 million in the Capital Projects fund. She noted that this year HURF was \$1,480,000 and stated that next year it probably would be somewhat less.

Councilmember Archambault asked how much of that the Town used for street maintenance and other projects that HURF funds were used for. He explained that he was trying to figure out how much they could actually free up with the HURF funds to look at for bonding capacity.

Ms. Martin responded that this fiscal year staff estimated that \$350,000 was transferred to the Capital Projects fund for street maintenance projects. She added that they also had an additional \$110,000 that was currently being used for debt service, which concluded this fiscal year.

Councilmember Archambault commented that the Town was currently using all of the \$1.48 million for road maintenance/repairs and \$110,000 of that was for a bond that they were finishing up (the old road bonds).

In response to a request for clarification from Councilmember Archambault, Ms. Martin advised that \$350,000 of the Annual Pavement Management project this year was being funded from HURF because there was not enough money left in HURF to pay for the entire project (they used Capital Project funds to accomplish the project this year).

Councilmember Archambault stated that for next year they had no identified fund for Annual Pavement Management project. He asked if staff had any idea what HURF would look like next year and Ms. Martin stated that the estimates right now were for slightly less than this year -- perhaps \$1,200,000. She confirmed that it was not projected to get better in the near future.

Councilmember Archambault reiterated his statement relative to the fact that at the Town would not have any HURF funds to help do the Annual Pavement Management project.

Ms. Martin said that at this point staff was not committing to the fact that there were HURF funds because typically those funds first went to pay for the operating activities of the Streets Department (crews and all of the on-going work that they did with signage, traffic signals, etc.) and whatever was not expended as operating expenditures from HURF was then used to transfer to the Capital Projects fund to fund Pavement Management projects.

Councilmember Archambault stated that he was hearing that there was basically not going to be any additional funding there next year to use for bonding and Ms. Martin said that potentially the only thing the Town might have available was the debt service payment they were currently making, which would go away next year (approximately \$110,000).

Councilmember Archambault noted that the fund was projected to go down \$208,000 so they were "in the hole." He thanked Ms. Martin for her input.

Councilmember Leger asked of the \$1.2 million that was anticipated in HURF funds for 2010-11 what the operating expense would be for streets, maintenance, etc.

Ms. Martin advised that the deadline was 5:00 p.m. today for the departments to have their budgets in.

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Councilmember Leger asked whether Ms. Martin had any thoughts on what that might be and she said that at this point she did not.

Councilmember Leger asked if she recalled what the amount was this year and she replied \$1.2 million for operating.

Councilmember Leger stated that that pretty much took care of the HURF fund.

Vice Mayor Hansen asked Mr. Davis for input regarding a storm water utility and he said that he had talked to some members of the Council about the reality of some of the Town's storm water maintenance and construction expenditures being funded out of HURF. They definitely had a utility in Town (not sewer, sanitation or water) -- a storm water utility without actually having that utility set up. One of the ideas he presented was that they fund those activities separately through a storm system or a rain tax (a storm system maintenance and construction fee) and he had determined that there was a little more than a couple of hundred thousand dollars in the HURF fund that went towards activities that supported the Town's storm system and that could be funded in a different way and free up money for bonding or other road maintenance activities (out of HURF). He added that right now things like the wash maintenance, street sweeping, etc. was all accomplished through the HURF fund, which was supposed to be for streets.

Councilmember Dickey said that they had discussed that and decided against moving ahead (some members of the Council) even to begin the study of that option. She stated that her question was that if they did have one, could they pay for capital expenses (they had some in the future over \$500,000) -- could storm water utility money be used for those capital expenses.

Mr. Davis advised that the funds could be used for those expenses.

Councilmember Brown said that in looking at a proposed bond with a 15-year payback he would like to ask Public Works Director Tom Ward how old the existing Saguaro pavement was.

Mr. Ward responded that it was approaching 40 years. He agreed that the Town had gotten a lot of life out of the existing pavement and stated that when you looked at asphalts, they tell you 15 to 20 years of life, so they pretty much doubled that time.

Councilmember Brown asked whether it would be possible to obtain a current update on what it was going to cost to do a mill & overlay and at the same time if they were working on a new estimate whether there was a possibility of also preparing an estimate to do a total rebuild if it was required. If they did not get the mill & overlay done due to three or four rainy years, he asked if it was possible for staff to provide an estimate for a total redo on the base and then the asphalt.

Mr. Ward replied "yes" and said that he had called Sunland Asphalt and asked them to come in and talk to staff about providing this same type of surfacing. He had explained to the company that the Town had a lot of work to do above and beyond the mill & overlay (drainage, hopefully work on the Downtown Visioning Plan, etc.) and he got very excited when Sunland quoted a price of \$2.5 million to overlay all of Saguaro Boulevard (approximately \$2 million less than what they thought). He noted that when the Town received their first estimate, prices on asphalt were extremely high and added that the Town saved \$1 million on the widening project for Shea Boulevard so things kept looking better and hopefully those prices would stay down for a while. He added that it gave the Town an opportunity to do the things that they needed to do, including ramps at many of the intersections.

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In response to a question from Councilmember Brown relative to not acting on it at all and when the asphalt/base deteriorated and would they have to "grind up what they had and completely redo the base," Mr. Ward stated that he was not prepared to answer that question today; it could be upwards of perhaps \$5 to \$7 million. He noted that the price he had received from Sunland was beyond just mill & overlay -- it was for a lot of sub-grade work as well and so they were looking at the process being about four inches of asphalt on top of that street. He added that the life cycle should be about 20 years so it was practically like getting an entire new street. He said it was a good process but they were not removing the curbs and replacing them.

Mr. Ward addressed Mr. Stricklund relative to the plans that would have to be ready and asked if they would have to be designed and ready if they were to get bonding by the end of the year through the Build America process. Mr. Stricklund advised that if they were talking about a tax-exempt bond and they met all of the requirements, even though they did not have a final number and everything done and the money was expected to be spent within the next three years, he believed they could do it with a Build America bond. He added that it would be good to have all that, they would not need to have it.

Mr. Ward thanked Mr. Stricklund and explained that because they were on a timeframe to have those plans done he would not want to miss that date if they had to "hit" that date.

Councilmember Archambault said that the \$2.5 million was just for the mill & overlay and some sub-base repair and asked if the figure included any handicapped areas that need to be addressed or anything else that would be part of that project.

Mr. Ward responded that that was the part that they would have to add in and stated that it would be dangerous at this time to put forward that figure without first bidding the work. He read a portion of the letter from Sunland Asphalt into the record that listed the work that would be done to the street (a copy is available in the office of the Town Clerk).

Councilmember Brown asked if there was an avenue whereby they could possibly start the procedure of getting a Build America bond (get the preliminary paper work started) without first obtaining a public vote and Mr. Stricklund replied that if they were doing an Excise Tax backed issue of one kind or another they would be able to do that this calendar year. He added that if they were going to do a General Obligation bond, he did not believe that they could get it done by the end of the calendar year.

Mr. Davis commented that the Town needed to commit to one vehicle or the other before they begin the paperwork.

Mr. Stricklund reiterated that the Build America bond process was due to expire by the end of this calendar year and said they probably could try and anticipate authorization and have the lawyers write up the documents. They could do all of the work and incur all of the costs of doing a deal assuming they would receive authorization and then try and get it done by the end of the year -- it was possible but it was out of the ordinary to use that approach. They could incur costs and the authorization might not occur.

In response to a question from Councilmember Leger, Mr. Ward confirmed that the original \$4.5 million cost estimate included the extra work as well.

Councilmember Leger stated the opinion that it would be prudent for them to "drill down" and reassess the cost of the project. He said that before he could even think about anything, he would like to know

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where they were at cost wise. He added that when he looked at the \$2.5 million for a high priority project, part of him thought they should just take capital monies and do it versus placing a tax burden on the citizens. He noted that the Council was not making decisions this evening and he would strongly recommend that the Council be provided some updated pricing.

Councilmember Archambault commented that they still had not addressed the Pavement Management expense of \$515,000 and obviously they could not pull that money from anywhere else -- the Council had set a goal of not to exceed \$2.5 million a year (to the Capital Improvement Fund -- coming out and using it against bonds, grants, etc.) and asked if staff had any "magic rabbit" they were going to pull out of their hat to tell the Council where they are going to get the \$515,000.

Ms. Martin explained that the "pay as you go" concept with the capital projects was difficult because one of the things that staff tried to do when they evaluated the five year capital plan was to not go into a project without committing to finish the project so they tended to set aside a reserve in the Capital Projects Fund so that if the Council authorized the beginning of a project in any given year, staff set aside monies to complete that project. She said that of the \$9 million that was currently sitting in the Capital Projects Fund, beyond the \$2 million that they were going to expend next year, \$7.5 million had been reserved to complete those projects.

Councilmember Archambault stated that that was why there was no money there to complete the Pavement Management.

Ms. Martin said that was why it was difficult even to tackle a project like the Saguaro mill & overlay -- even if it was only \$2.5 million. It meant that some other project in the five year plan that they were starting would not be completed or would have to be delayed until sufficient funds were available to complete it.

Councilmember Archambault asked what would happen if the Town did not do any Pavement Management this coming year and Mr. Ward replied that the streets would be in worse condition because they would not be providing street maintenance where the Pavement Management Study told them that this work should be provided.

In response to a request from Councilmember Archambault, Mr. Ward displayed a map and identified the area (4B) that work was being proposed for this coming year.

Councilmember Dickey said that this was all going to result in a budget discussion because some of the things that they were talking about, some of the assumptions, included whether they were going to use \$2 million for capital but then if they went to \$2.5M, then that would probably be enough for the Pavement Management. She agreed with Councilmember Leger's comment relative to the importance of obtaining the actual project costs. She stated that they talked about having the "carry forward," which was 30% of the budget and the budget had gone down significantly so the 30% of a \$6 million "carry forward" was based on a much higher budget. She added that if the budget was \$12 or \$13 million then the "carry forward" that would not affect their bonding or their good standing would be more in the line of \$4 million. She said that it was hard to have this discussion in a vacuum (not talking about the whole budget).

Mayor Schlum explained that that was why he had prefaced the discussion at the beginning by stating that the discussion was going to be an opportunity to "pick Mr. Stricklund's brain" regarding different

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funding options related to that road in particular. He agreed that they had to encompass a lot of other dialogue to come up with any real direction or decision.

Councilmember Dickey commented on the fact that they looked at projects for the next five years and they were important but said she did not know if they started prioritizing, this might be more important to do. She stated that there might be things that were more important to do than projects that had to be done in 2013 or 2014. She reiterated that they needed to have a much broader discussion.

Mr. Davis said that the Council had provided staff with some great direction and they would like to place this item on a subsequent agenda and bring back a "tighter price" on Saguaro. He added that they could continue discussion on this matter at the next meeting or the one following that.

Mayor Schlum stated that he understood the timeline for a potential ballot issue and as the budget came together more, this issue would be included in that. He thanked staff and Mr. Stricklund for their input this evening.

AGENDA ITEM #3 – DISCUSSION REGARDING THE UNIFIED TRASH COLLECTION AND RECYCLING SERVICES REQUEST FOR PROPOSAL.

Environmental Planner Raymond Rees addressed the Council relative to this agenda item and said that the information he was going to share with the Council was very narrowly focused -- it was between their last Work Study Session on October 13th up to today's meeting. He advised that staff had been working diligently to get the draft RFP that was before the Council this evening. He added that they had worked with the Town Attorney to revise it and during this period staff had been conducting public outreach through various means and highlighted the various efforts that had been expended. He reported that since January 24th, staff received about 24 comments from HOA representatives (5) and individual HOA members of Sunridge Canyon (19) relative to this issue.

Mr. Rees reported that Eagle Mountain, La Vida Buena and Morningside HOAs were all opposed to the Town having a single hauler as outlined in the proposal. He said that none of the Associations were actually opposed to a single hauler type of a system; they just didn't like the Town's proposal. He noted that of the comments that staff received from individuals in the Sunridge Canyon HOA, 15 were opposed to the Town's proposal, two were in favor of the Town's proposal and three just provided comments. He added that they received a letter from the Morningside HOA and a copy of the letter and staff's response addressing their concerns had been provided to the Council.

Mr. Rees informed the Council that La Vida Buena wrote and asked why the Town was going to make an individual have trash collection. They had an older community there and they sometimes threw their trash into another person's container with consent or they just left their trash bags on the ground and their provider would pick that up for them. He explained that according to Maricopa County that was not an acceptable way of collecting trash; they were all supposed to have a fly-tight container in good working condition. He added that on the 8th and 9th of this month, staff received two letters from HOAs (Sunridge Canyon and Lakeside Patio Homes) and those documents had also been provided. He said that Sunridge wanted the opt out option and Lakeside wants to opt out as well but stated that if the Town could match their current rate they would be willing to join in.

Mr. Rees advised that some of the key points that they received that were reoccurring in most of the letters/responses included the suspension of services and said that staff had the ability in the RFP to suspend services for those people who were seasonal. He noted that all of the haulers that provided

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services in Town either charged a flat fee in order to cancel services once a year up to a certain amount of time or charged a flat fee and the users paid an additional cost if they wanted subsequent cancellations of the service. He added that concerns were also expressed regarding the color and size of the containers and stated that ultimately in the RFP the Town had the final say regarding what the trash containers would look like. Another concern included the cost of the service both currently and down the line (worried about inflation of the cost) and pointed out that they had a cost fix to the Consumer Price Index, which was about 80% of what costs would go up and then 20% of the remainder was the EPA's calculations. They also wanted to know why they could not use recycle bank now (implement it now) and Mr. Rees said that the Town could not do that for them because they had their own hauler; this was something that the municipality would do as a whole.

Mr. Rees stated that he responded to the requests to opt out as best as he could and explained that the RFP did not contain an opt out option. He added that they also asked whether an HOA could still pay for their members' services and said absolutely. He noted that they also suggested that perhaps the Town could invite HOA members to sit in on the RFP process or on a selection committee and said that he advised that he believed that would be a good idea.

Mr. Rees advised that staff felt confident that they had satisfied the general requirements for the citizens in this document and their next steps would be to submit any final changes that they felt necessary to the Town Attorney and have him draw up the final RFP. Staff would then schedule the required pre-bid meeting and release the RFP. Mr. Rees indicated his willingness to respond to questions from the Council.

Mayor Schlum thanked Mr. Rees for his presentation and said that the communication efforts were very good and resulted in excellent feedback. He stated that he very much appreciated staff's extensive efforts in this important area. He also thanked everyone for their responses.

Councilmember Brown requested that Mr. Rees outline a timeline for when the RFP would be ready to go out and a timeline from when it went out until the selection was made.

Mr. Rees replied that the Town Attorney would be the author of the RFP and in a better position to provide that information. He added they were pretty close and said that the document currently before the Council was pretty close to what they would release for the public. He stated that there were not many hard changes and estimated that it could take a month or so to bring the final document forward.

Town Attorney Andrew McGuire advised that getting the document out the door was the easy part. He said that the long lead item was the distance between the pre-submittal and pre-release meeting with all of the contractors to make sure that everyone understood it and the time of the RFP deadline. He noted that the Town of Queen Creek took a significant amount of time for this (a few months) and stated the opinion that it would also take the Town a similar amount of time to complete the process. He said that after the submittals were received and evaluated, Queen Creek's staff spent a considerable amount of time with the consultant whose RFP was the basis for the Town's RFP, going over the documents to determine which would best meet the needs of the Town and then negotiating the contract. He reported that between the start and end of the process almost a year elapsed and added that the Town's front end part was a very small piece of the puzzle.

In response to a question from Councilmember Brown, Mr. McGuire stated that he would not hazard to guess at this point in time how long it would take to get to the award point but believed that 2011 was

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doable if that was the Council's goal. He added that the other thing that came into play was determining when the HOAs contracts come due in order to provide sufficient lead time.

Discussion ensued relative to the fact that Queen Creek's approval occurred in January and they were expecting their service to start in September of this year; the fact that the selected vendor would have to deal with some difficult terrain; the fact that any vendor who entered into the contract, unless they were a larger company, would have to purchase new equipment; HOA dues; the fact that Diamonte did not want HOAs to be exempt; recycling; benefits to be derived as a result of utilizing a single hauler; HOA concerns; the fact that HOAs have seasonal visitors and there seemed to be some value savings there because maybe during the summer half of the homes did not have to be serviced; Mr. Davis' statement that hopefully seasonal visitors would still be able to have their service suspended (nothing would change) and the fact that the RFP contained a provision that allowed citizens to do that; the fact that some residents might be charged a small tote fee that was paid every month (minimal), and the fact that everyone's rate would be the same depending on the size of the containers utilized.

Mayor Schlum asked what measures would be in place to maintain quality of service while utilizing one hauler and Mr. Rees advised that it would be the responsibility of the Town to ensure that the provider was providing quality services to the citizens.

In response to a question from the Mayor, Mr. McGuire stated that the proposed contract had built into it different liquidated damages for various types of damages that might be associated with service issues (approximately 15 different categories).

Councilmember Leger said that he believed the contract contained several subsections that actually spoke to assessing fines (performance criteria). He added that in the original draft someone could not have service for five months and they talked about increasing that to six months and he asked whether that had been adjusted.

Mr. Rees stated that the Town Attorney had not yet been provided the final findings from everything but that would be included on the list.

Councilmember Leger noted that trash was included in a number of the HOA's fees and asked whether any boards expressed concern about how they would be impacted in terms of having to adjust their fee and Mr. Rees replied that nothing came to mind regarding that issue.

In response to a request from Councilmember Leger, Mr. McGuire advised that he did not have many case laws that prevented the Town from "carving out folks" and noted that the statutory authority for the Town to regulate waste hauling was a single statute in Title 49. He added that they did not have any clear statutory authority that would allow a franchise for a single hauler or some of the other options that had been requested. It was a utility service by case law definition in Arizona and under most circumstances.

Mr. McGuire explained that the "carve outs" were a challenge because if they were going to provide a utility service, they were going to provide it to the entire Town and to "carve out" areas was a bit unique.

Councilmember Leger stated that it was his understanding when they put this Work Study Session together that the purpose of looking at an RFP was simply to get pricing rather than award contract. He asked for input relative to this subject.

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Mr. Rees advised that staff was trying to get the RFP out to get those numbers; as that was the missing piece for the Council to move forward. They needed to know whether or not they were getting a good price for services. If the prices came back outlandishly, the Council could say, "No, we are not going any further."

Councilmember Leger said that he just wanted to clarify that if they moved in this direction, the goal was primarily to get a price. Mr. Rees replied that was accurate.

Mr. McGuire stated that the Town had a price from the Town of Queen Creek for the hauler that was awarded the contract so they had a baseline. He added that there was a unique feature in this RFP based upon the input received from the Council -- the Queen Creek bid was a typical bid where the town received a revenue stream back for recycling and Fountain Hills' bid was not set up that way. It had been set up so that the proposer was required to consider that the revenue stream from recycling was not coming back to the Town; it was staying with the company as a means to bring the price down (per Council direction). He added that they were meeting with the proposers in the pre-submittal stage and would make it very clear that they wanted to see something significant as a result of that because it was a good recycling stream, a good revenue stream for them, and the residents were going to get the benefit of the recycle bank. Staff was hoping to use Queen Creek's number as a "not to exceed number" and go down from there.

Councilmember Dickey pointed out that Queen Creek had other services that the Town might not have (tire tree disposal, Xmas tree disposal, etc.) and they came up with their figure adding some of those things. She spoke to Councilmember Leger's comments/questions regarding HOA bills and stated that there could be adjustments with whomever they were contracting and there could be special assessments so she did not think that changing the amount would be much of a hardship. She also discussed "carving out" and stated that obviously if they had more households it should lower the price for everyone but her understanding was that they did not have the ability to restrict days or times -- this was not just one thing that they were trying to accomplish and if they were looking at the trucks, safety, emissions, etc., she was not sure they could have restricted them unless they went in this direction, which unfortunately or fortunately made the "carve out" less likely. She commented on the study they had received from the state of Washington that Mr. Davis provided that showed what they could expect as far as road repairs. She said that while she did not think it would take 20% off of the road cost for next year, they were hoping that this was something that would help them down the road when they were trying to make the budget prioritization decisions.

Councilmember Leger explained that his concern with regard to the HOA boards was that this would result in a price increase for them; hopefully it would be a decrease. He said that with many boards, the CC&R's were very explicit about what percentage they could increase the cost to the members and if he were currently serving on an HOA board and considering this that would be something he would have to look at because the percentages were relatively small.

Councilmember Dickey apologized and said that she thought Councilmember Leger meant any change, not an increase.

Councilmember Archambault noted that they met with a gentleman by the name of Lenny with Reason and Mr. Rees said that that was a national think tank organization. He stated that Mayor Schlum had arranged a meeting to sit down and talk about the RFP, how it looked and whether he thought there were any red flags in it. Mr. Rees stated that Lenny was going to give him a call back after researching it further if he found any additional concerns and he never received another call from him.

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Councilmember Archambault commented that his business was basically to privatize services that towns provide and when he looked at it he specifically had asked questions relative to the reasoning behind it. One of the comments he made was, "You guys really aren't making any money on this, are you?" Councilmember Archambault expressed the opinion that it drove a point home that the committee's goal all along had been to get the best value they could for the citizens. He referred to all the e-mails they were receiving and comments that were being heard and said he believed that people were making decisions before they had all the facts. He added that Lenny actually wanted to take the Town's contract and use it as a model. He went away from that meeting after stating that we were just passing every savings off to the customers and that was the reason why the committee formulated this contract. He pointed out that if citizens delved into the contract they would see that there were safeguards in place, they had the ability to fire the service provider if he was not providing the needed services, and it really gave the citizens a voice.

Councilmember Archambault advised that one of the things that concerned him was all of the time that staff had spent on this and said he believed it was about time that they started moving forward so that they could at least take a look at it and decide whether it was something they wanted to pursue further.

Mr. Rees reported that the committee had been in existence for approximately two years.

Mayor Schlum said that the dialogue with the HOA's had been very good and noted that some of them had low costs for trash hauling. He added that many of them had winter visitors so there were a lot of pickups that did not occur, particularly during the hotter weather. He stated that the prices might come back from the RFP and be higher than what people paid in a HOA today -- because of the options the cost could be higher monthly but because they could cancel their service for a period of time they might net out closer to what they were currently paying.

Mr. Rees concurred and provided an example of such an occurrence (Lakeside Patio Homes).

Mayor Schlum stated that cost was going to be very important and expressed the opinion that many did not understand that this would not be quite like a HOA where you could not cancel your service and realize a savings. He asked staff what the next steps would be.

Mr. Rees replied that staff would take the suggested changes that had been discussed, meet with the committee, make sure that the changes were ones that they really needed and could do, and then turn a request over to the Town Attorney for the formal RFP.

Mayor Schlum commented on the fact that the RFP would include different tub size costs/options and expressed support for providing those options to the residents. He thanked the committee for their hard work over the last two years, and expressed appreciation as well to the residents, haulers and HOAs for all of their feedback. The Mayor also thanked Mr. Rees and Mr. Davis for their efforts in this regard.

AGENDA ITEM #4 – DISCUSSION OF THE PROPOSED COUNCIL GOALS AND INITIATIVES FOR FY2010-11.

Town Manager Rick Davis addressed the Council regarding this agenda item and said that he appreciated all of the work that had gone into formulating the initiatives that have come from the departments that were being presented this evening. He thanked the Council for their willingness to meet at staff's Goal Setting Retreat, what he and Shaunna Williams had synthesized into eight

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individual goals, which were attached to the staff report. He said that the goals paralleled or mirrored the strategic planning focus areas. He commented that what staff heard from the Council at the Retreat was, "Get citizens involved, get out of the way, empower, enrich citizens' lives, promote civility and partner, partner, partner." He said that those were strong themes that resulted from that session. He advised that in meeting with the Department Directors they had been able to assemble a number of initiatives that they were proposing to the Council and the goals themselves. He added that staff was eager to receive any feedback the Council might provide tonight and staff would then make any modifications and present them for the Council's ratification at a future time, hopefully very soon. He noted that the initiatives would be worked into the budget -- they were outcomes that they hoped to achieve this year.

Mr. Davis outlined the various goals as follows:

Goal #1 - Investigate the feasibility of partnering with the School District and other learning institutions to develop a program of educational opportunities. This relates back to education, learning and culture from the Strategic Plan -- the goal of enriching our community by providing citizens with opportunities to improve their lives and the lives of others.

Goal #2 - Partner with the Veterans of Foreign Wars to hold a Freedom Series at the Community Center highlighting the extraordinary people within the community. This year's series would focus on patriots who have demonstrated sacrifice to the nation.

Goal #3 - Partner with Fort McDowell to present a Yavapai Cultural Day at the Community Center.

Goal #4 - Create opportunities to showcase local performing arts talent.

Goal #5 - Encourage citizen development of more special events by simplifying and streamlining the special event permit application and process.

At this point, Mr. Davis requested that the Council provide any feedback they might have regarding the goals starting with Goal #1:

Councilmember Dickey asked how Mr. Davis came up with the actual specific goals and Mr. Davis replied that there were three sources: (1) The feedback provided by the Council at the Goal Setting Retreat; (2) Citizen feedback from the Strategic Planning process and (3) Staff brainstorming and imagination on initiatives they believed to be feasible, practical, achievable and supported the goals.

Councilmember Leger asked whether the Strategic Planning Advisory Commission (SPAC) Chair or Audra Koester-Thomas had an opportunity to look at the product yet and Mr. Davis responded that Audra had reviewed them. He noted that she was part of the Executive Budget Committee and this document was presented to that group.

Councilmember Leger asked whether Audra had suggested any revisions or provided any feedback regarding the SPAC's satisfaction with what was being presented and Mr. Davis said she had and SPAC supported them.

Councilmember Dickey stated that the document listed Goal #3 the same as Goal #1 and Mr. Davis said that staff would correct that error.

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Mr. Davis went on to Goal #2 and stated that this had to do with Environmental Stewardship: Enriching the community by promoting and preserving our Town's natural assets.

- 1) Partner with the McDowell Mountain Preservation Commission to develop educational experiences and provide a workshop to teach residents about our natural environment. This came directly from the feedback from the Goal Setting Retreat.
- 2) Rezone all Town washes as open space to provide an additional measure of protection to the washes. Currently some of the Town's washes were zoned residential.
- 3) Develop a plan to establish a storm water utility. Staff was going to develop a plan and do some more research into that in an effort to better provide for that important service.

Mr. Davis requested questions and/or comments regarding Goal #2.

Councilmember Archambault discussed the rezoning of the washes and noted that some of them were zoned residential. He asked whether most of them were open space.

Richard Turner addressed the Council and said he was not sure what the breakdown was but it looked to him to be (from a casual observation) 50/50.

Councilmember Archambault asked if the washes were part of a residence or a lot and Mr. Turner responded no, they were only looking at rezoning the washes that the Town owned.

Councilmember Leger asked whether this would prevent trails from being in the washes and Mr. Turner responded not necessarily. He explained that it depended on which open space category was selected. He noted that there were other regulations in place that prevented trails in washes and Councilmember Leger said he was aware of that and they would have to go before the voters to change that.

Mr. Davis discussed Goal #3 and said that the material that would be corrected showed the goal dealing with Civility as Goal #3 and Goal #3 was moved to #1. (Just the headings are in incorrect order.) He added that the goals were not listed in any order of importance.

Mr. Davis advised that with regard to Civility: Enriching our community by promoting internal civility and promoting partnerships and other opportunities that bring citizens together and foster an atmosphere of neighborliness and cooperation:

- 1) Staff is proposing to develop for Council ratification a policy regarding appropriate behavior with regard to public and internal interactions
- 2) Present a Civility & Teamwork Workshop to help Council and staff come together and improve interaction (recommendation was to do this every other year).
- 3) Develop and execute a program to proactively distribute factual information to address misinformation by utilizing Town communication resources. They needed to get the information they had out to the public instead of simply reacting when they heard that someone did not have the information.

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- 4) Partner with non-profits, HOAs and faith-based organizations to promote "Meet Your Neighbor Week."

Mr. Davis asked if the Council had any questions/comments regarding Civility.

Vice Mayor Hansen asked whether the first item would be covered under the Town's Ethics Policy or whether it referred to staff and Council.

Mr. Davis replied that it would apply to both staff and Council and said that the language in the Ethics Code - the Standard of Behavior for the Council - did not specifically address the type of topics they would want to talk about in this item. He added that staff would want to look at some other communities to see what they had done and would bring recommendations to the Council for their consideration and possible ratification.

Vice Mayor Hansen asked if there were any penalties associated with this (if the policy was not adhered to) and Mr. Davis responded no, it was just a policy. He stated that it was more of a declaration of mutual understanding of what appropriate behavior constituted and they could call it that. He added that hopefully this would be a product that everyone worked on -- coming together and forming a mutual understanding of what inappropriate conduct was.

Mr. Davis went on to Goal #4: Civic Responsibility: Enrich our community by identifying and supporting opportunities for volunteerism that meaningfully impact our quality of life and promote community pride and enhance access to Town leadership.

- 1) Partner with the Fountain Hills Cultural and Civic Association to expand the "Volunteer Fair." He said they could play a greater role in that and expand the usefulness of that event in order to recruit volunteers.
- 2) Continue to build upon the success of "Make a Difference Day." He noted that there were two national events, one is called "Make a Difference Day" and the other is called "Take Pride Day." He stated that they called last year's event "Make a Difference Day" but really the one that focused on services to one's community is "Take Pride Day." He said that staff might suggest a change in the name for the next year because their objective had been in the past, and continued to be, to involve citizens in providing service in their community so that they could be instilled with ownership in their community and feel connected. He stressed the importance of citizen volunteers helping each other individually, and they wanted to promote that as well, but this specific event had been more focused on serving your community.
- 3) Work with the Mayor and Council to create a Community Enrichment Commission.

Mayor Schlum solicited questions from the Council relative to Goal #4.

Councilmember Archambault requested that Mr. Davis expand on #3 and asked how he got into that discussion and what he and the staff talked about relative to a Community Enrichment Commission.

Mr. Davis explained that the concept was born out of a study that was done some time before he came on board, which showed a considerable amount of resources that were expended to support a broad range of commissions, committees, and other groups in Town. In addition, staff didn't see less, but rather more, need to address other topics that were associated with the quality of life in Fountain Hills.

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There was one conversation with the Council and they discussed that as a body as well relative to one of the alternatives being the formation of a commission that was enabled and empowered to address a wide array of community issues that affected quality of life (everything from environmental issues to use of open spaces, public safety, etc). He added that they would consolidate rather than eliminate in order to save resources, become more efficient, and would give the Commission a broader base of things that they could discuss and address as a Commission. They would also serve as a "sounding board" for those important issues and the intention was to have them bring forward ideas that the Council could then act upon.

Councilmember Dickey commented that Goal #4 was very internal and said that while they were going forward with some of these they might look at civic responsibility as a community, as part of a region, part of a state, etc. because it was internal and some of their responsibilities and things they were trying to do, like getting businesses to locate in Town or getting grants, were part of being a larger community. She added that civic responsibility had to do with knowing what was going on and voting.

Mr. Davis stated that that was a very important point and advised that at the recent ACMA Conference one of the presenters emphasized that a characteristic of truly great communities was one that could build bridges and relationships with outside organizations in order to enrich citizens' quality of life. He said that if it was all right with the Council, staff would add this in.

Mr. Davis discussed Goal #5: Economic Vitality: Enrich our community by promoting an economically sound and sustainable environment in which to live, work, learn and play.

- 1) Market the Town for business location and expansion following the three pillars of economic development -- business recruitment, business retention and job creation.
- 2) Enact land use regulations that encourage development in the downtown consistent with the Downtown Vision Plan.
- 3) Develop and issue a Request for Proposals to investigate the feasibility of public-private partnerships in the Lakeside District.
- 4) Investigate opportunities to bring a community college and a hospital to Fountain Hills.
- 5) Assemble a citizen Blue Ribbon Committee to develop a financial roadmap for the Town's future.
- 6) Prepare an area specific plan for the Shea Boulevard corridor near Shea Boulevard, evaluating rezoning possibilities that would increase the inventory of commercially rezoned land. He stated that this is an issue that the Planning Commission has been working on for some time.

Mr. Davis requested questions/comments from the Council.

Councilmember Dickey referred to item #3 and asked what that was all about.

Mr. Davis replied that a Request for Proposals would be needed in order to solicit interest in developing the Lakeside District and would need to include elements that the Council found desirable for that area. He added that according to the Downtown Vision Plan there were several elements mentioned -- everything from a venue for performing arts to a small restaurant, retail, and cafe type of

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business. Staff had recently met with one of the presenters at the League of Cities & Towns conference in September -- a man by the name of Gary Aller who is the Director for the Alliance for Construction Excellence and worked out of the School of Sustainable Engineering & Built Environment at ASU. He said that staff was impressed enough by his presentation to ask him to come out and talk more about this with himself, Lori, and the Planning staff -- how they investigated the possibility of public-private partnerships. He explained that a public-private partnership was an agreement between a public and private entity whereby a private entity constructs the facility and ran it for a period of time, leasing it back to the public entity and eventually the public entity becomes the owner of that facility. He reported that it had been used successfully throughout the state, most recently to provide student housing in downtown Phoenix for the ASU campus and it was a new way to bring in outside capital to meet some of the public needs that we had. He further stated that they were intrigued enough about it that they ought to use it as an initiative or state was as an initiative their composition of an RFP and see what interest there would be from public organizations coming out and making some of this development happen in the Lakeside District.

Councilmember Dickey said that she wanted to make sure that they were not sending any messages here that they were going to develop on the park and Mr. Davis commented none at all. He added that in fact they were still evaluating whether such was possible and that evaluation was part of the process as well.

Councilmember Dickey advised that she would not like the Town to limit itself to a community college because as they knew, Goodyear had gotten two private universities to locate in their town.

Mayor Schlum agreed that they should change the wording in that item to simply state "college."

Mayor Schlum referred to #3, the Lakeside District, and said that it obviously stemmed from their six-month process with the Chamber and many citizens in the public -- Lakeside District was obviously an important element of the downtown plan and tying together the Avenue with the lake and there were many different elements going into that. He added that this was also something that the BVAC was interesting in seeing happen.

Vice Mayor Hansen referred to #6 and asked what kind of commercial staff was thinking of adding since the Town had so much empty commercial right now. She asked if it would be something specific that they did not currently have (Shea & Saguaro).

Mr. Davis replied that staff was looking at targeting those businesses that had been identified in their Trade Area Analysis as not only being lacking in the community but also those that would be successful here right now. He said that as Lori had brought up, they did see a "pick up" in the projection of commercial development in the next 12 to 24 months. He added that some of those businesses would not be a good fit in Town but the Trade Area Analysis gave staff a good idea of what businesses they had to try to specifically target. Staff will utilize mechanisms such as the ICSC Conference and other direct marketing in order to generate interest in bringing in businesses that would be successful.

Vice Mayor Hansen asked if they would be more appropriate for Shea Boulevard rather than the downtown area and Mr. Davis replied "absolutely." He said he believed there were two different characters and that was one of the things that they wanted to address as they moved forward with an area specific plan --what kind of retail would they envision. He stated the opinion that in the downtown area he was envisioning a type of retail that would have an entirely different brand, an

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entirely different character than something you might see out on Shea, which would be more of a utilitarian type of retail.

Councilmember Archambault indicated that he wanted to expand on #6 and said that he believed Lori was looking into the Shea corridor and said that was going to play into whatever the Tribe did at that intersection, which they were talking about doing over the next several years. He stated that they had to start thinking about that as an area just as they thought of the downtown portion as an area and they were two different animals. He requested that Mr. Davis expand further on #5 and asked if they were developing a financial roadmap for the Town's future -- was that their 20-year financial plan that they had already done or was it a five year financial plan or something totally different?

Mr. Davis responded said that he had not assigned any particular time period to a plan like that but in discussing this with the Council it was something that was very prominent in the Strategic Planning process -- citizens worried about the long-term fiscal sustainability of the community. They had talked before about the precarious nature of depending on revenue sources that were no longer here nor were they expected to be part of their future. One of the ideas they discussed on the Executive Budget Committee was that they needed to assemble a group to look at what kind of components/what means did they have in the future to support the Town. This was without focusing on one source of revenue or another but literally wiping the table clean and looking anew at how to support the Town given the scenario or environment that they were moving into over the next decade.

Councilmember Leger referred to item #4 and stated that they went from community college to college and asked whether they were including just any higher learning educational facility, i.e. a trade, school of design, cosmetology.

Mr. Davis replied "all of the above" -- they were mostly interested in those learning institutions that would provide the citizens with opportunities for continued learning. That was one of the reasons why they wanted to partner with the School District and other groups, to see if they could even start the ball rolling by bringing some courses to Town. Staff had already had discussions with one group, Tri Advocates, and they had attended some meetings here, particularly when discussions took place regarding the Downtown Vision Plan. They informed us that one thing that community colleges look for when they expand to a community or build a campus in a community was for the community to build the facility, to contribute. This might be another opportunity for a public-private partnership so they might want to look at it in that vein as well. Staff wanted to thoroughly research what the possibilities were of bringing such an institution to the Town and this would include conversations with other cities and towns that had been successful in doing so.

Mr. Davis moved on to Goal #6: Maintain and Improve Community Infrastructure: Enrich our community by investing resources to improve and preserve our valuable public improvements.

- 1) Develop a fiscal plan to get us back on track with the Pavement Management Plan. Staff needs to research every option necessary to get this back on track.
- 2) Market Adopt-a-Street as an option to residents as well as businesses.
- 3) Explore citizen satisfaction with Town services and infrastructure. This would include a citizens' survey to determine baseline satisfaction with current infrastructure.

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- 4) Evaluate our Town's technological and connectivity potential. Google, for example, was looking for some municipal sites throughout the country and staff had already been in contact to test a new high speed fiber optic type of infrastructure and with the City of Scottsdale soliciting their interest in a joint project to submit ourselves as an area (Scottsdale/Fountain Hills) as a project area for this opportunity. They also needed to evaluate their weaknesses technologically, what things did they need to plan for in the future so that they could truly become a site for high-tech businesses, new businesses in the 21st century.

Mr. Davis welcomed questions from the Council regarding Option #6.

Councilmember Archambault referred to #4 and noted that earlier discussions had taken place regarding doing Saguaro Boulevard. He asked whether they would be looking at putting some infrastructure in place so that they could pull that type of technology down to their core and Mr. Davis replied "yes." Mr. Davis explained that he and Mr. Ward had been discussing this for some time -- making sure that they had some kind of conduit as part of that project so that if the opportunity presented itself they could move that into the downtown area.

Goal #7: Public Safety, Health and Welfare: Enrich our community by developing and supporting programs that encourage citizens to actively participate in creating a safe and healthy Town.

- 1) In cooperation with local businesses, reintroduce a program rewarding helmet use by youths. This used to be called "Sundaes for Safety" and it was offered by an ice cream parlor and if firefighters or police officers found kids wearing their helmets while skateboarding or riding a bike they gave them a certificate from this establishment and they were treated to a free sundae. Staff would like to utilize businesses to do something similar and reward helmet use. He stated the opinion that this would be a great way to partner with businesses to promote safety throughout the community.
- 2) Continue "Public Safety Day" and build in more elements related to provident living. Provident living relates to those elements that people can bring to their own lives to make them more prepared for an emergency.
- 3) Work with the Maricopa County Sheriff's Office to introduce a Safe House program in Fountain Hills. This is like a mobile block watch.
- 4) Hold a "Community Health and Wellness Fair" in the spring at the Community Center.

Councilmember Dickey stated that they spoken about other serious items associated with public safety at the Retreat and said that this did not touch on those but she was trying to understand. When they came to a list like this she guessed they were just assuming or knowing that they were working with Maricopa County. She asked if provident living would mean brush control. She noted that they had talked about brush fires, domestic violence and social services and that was a little deeper than what this was. She added that what was on the list was not all that they would be doing.

Mr. Davis concurred and said that those are good elements that they needed to consider.

Vice Mayor Hansen discussed the Substance Abuse Coalition that was getting started and said this would be a good one as well.

DRAFT

Mr. Davis concurred and added that staff would solicit additional input before they went forward with their next Public Safety Day (next year).

Mayor Schlum stated that the comments Councilmember Dickey and Vice Mayor Hansen made were that the list was not inclusive of everything -- there were many other elements that would fall within that were not itemized. These were examples of things that would be accomplished in parallel with other things that were important to the community.

Mr. Davis advised that actually everything that was done to run the Town on a daily basis were items that were not on this list and they still needed to be responsive to ideas and initiatives that came forward during the year. He added that the list represented a beginning point and things that staff believed were accomplishable given their fiscal and human resources and that staff thought would most impact the realization of these goals.

Mayor Schlum referred to Goal #7 and noted that they had talked about this a couple of times and said it was not about the Town doing anything but rather allowing things to occur. He suggested that the language be adjusted to state "Enrich our community by developing and/or supporting programs" because they were not always looking for the Town to do things -- if there were organizations, groups, citizens that wanted to put something together, we wanted to support them and empower them (willing to partner).

Goal #8: Recreational Opportunities and Amenities: Enrich our community by creating and promoting activities/events and venues for all age groups.

- 1) Develop an urban trail system master plan including connectivity between parks and other activity centers. It is very important to utilize what the Town has in the way of walkways and trails.
- 2) Begin to develop and present programs for 5-12 grade students at the Community Center. The list of possibilities continues to grow and we want the Boys & Girls Club as well to find things that they don't offer, which could be brought to the Community Center in an effort to identify wholesome things for our youths to do.
- 3) Develop and begin implementing a plan for making trails more visible and better used by residents.

Councilmember Leger asked whether item #3 included signage and Mr. Davis replied that it did and briefly discussed the Overlook trail. Councilmember Leger requested that the Botanical Garden be included.

Mr. Davis thanked the Council for the opportunity to address them this evening and said that he felt optimistic. He added that staff would bring the modifications back before the Council at a future meeting (next available meeting is March 4th).

Mayor Schlum thanked Mr. Davis for his presentation.

AGENDA ITEM #5 - ADJOURNMENT

DRAFT

Councilmember Leger **MOVED** to adjourn the meeting and Councilmember Brown **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0). The meeting adjourned at 8:00 p.m.

TOWN OF FOUNTAIN HILLS

By _____
Jay T. Schlum, Mayor

ATTEST AND
PREPARED BY:

Bevelyn J. Bender, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Study Session held by the Town Council of Fountain Hills on the 11th day of February 2010 in the Fountain Hills Council Chambers. I further certify that the meeting was duly called and that a quorum was present.

DATED this 18th day of March 2010.

Bevelyn J. Bender, Town Clerk